

Overall Policy for the Agricultural Sector (MAFRD)

November 2003

The government framework from MAFRD policy is derived is given below:

1. Democratic structures
2. Economic growth in a free enterprise economy
3. Government must be self-financing/minimalist
4. Privatisation of socially owned institutions ASAP
5. Adequate protection for minorities and their integration.
6. Increasing employment
7. Import substitution in the medium term to reduce dependence on imports
8. To approximate laws to those of EC and international standards
9. Healthy investment climate

For Agriculture specifically the Government wants to:

- Increase the income of farmers.
- Increase their economic security of rural inhabitants

WHILST :

- Ensuring that consumers are not disadvantaged (food is the main component of household budgets in Kosovo)
- Recognising that taxation of imports is the main source of government revenue in the short term. In the medium term, the KGB will rely more on internal collection of taxes.

MAFRD Policy purpose :

The major aim of the MAFRD is to boost agricultural farm incomes through **increased productivity** of farming. This will be achieved by providing an **environment that encourages commercial farms** to expand and have access to necessary services. The Ministry also has a role to formulate policy for rural development outside of the agricultural sphere.

MAFRD outline policy position is given overleaf.

MAFRD Outline Policy

1. Increase competitiveness of agriculture by ensuring that the cost structure of production reflects that of competitors that enjoy greater degrees of protection. This means lowering taxation on agricultural capital and agricultural inputs and/or introducing import quota and/or direct payments to farmers.

2. Increase productivity by encouraging commercial farming. To this end :
 - a. Land Policy: to assist in creation of market for land allowing farmers to freely lease and buy in land to increase farm size.
 - i. Protection of agricultural land from indiscriminate conversion.
 - ii. Assist KTA to lease land as early as possible ensuring safeguards are in place so that it goes to active farmers and that leases are neither too long or too short to discourage investment
 - iii. Support consolidation of small plots through a Land consolidation programme
 - iv. Ensure land is protected from pollution. To be done in cooperation with Municipalities, MESP and MoH.
 - b. Rural Advisory Services: to assist in providing technological knowledge and management in farming. This is to be done by a mix of private and public service provision. The MAFRD will ensure adequate budgetary provision for this service, determine what are the services required and which advisers should be trained. The criteria by which services are supported by MAFRD are based on their importance in effecting productivity and overall production. This policy being developed by the Working Groups will highlight areas where rural advisory services are needed.
 - c. Policy on Semi-subsistence farming: It is recognised that more than 95% of farms are small, fragmented, semi-subsistence with low productivity and many families depend only for a part of their living from farming. The MAFRD needs to improve productivity on these farms in order to raise incomes in the short to medium term. This will be done through the extension services with key messages. At the same time, the process of restructuring involves small inefficient farms being encouraged to lease or sell land to the more commercially oriented farmers. MAFRD needs to look at “rural development” activities that can be developed outside of farming to allow the consolidation of farms.
 - d. Marketing: Farmers who are better informed and have better understanding of markets are more likely to succeed in becoming profitable. This means farmers need to be informed of information on prices, standards and packaging to improve their market position, especially in comparison of imported produce. MAFRD policy will support development of public markets where prices are clear; provide information on standards and packaging; regulate and monitor marketing to ensure that barriers to entry are reduced; and guide legislation to improve consumer acceptance of Kosovo produce vis-à-vis imported produce.

Part of this involves supporting Farmers Organisations to improve their market power, where appropriate.

- e. Agro-processing: provides a reliable market to farmers. Agro-processing pays low prices to producers in order to be competitive. MAFRD policy is to support Agro-processing development by:
 - i. Targeted programmes to improve productivity of crops in key areas.
 - ii. Assist in development of contract farming
3. Sub-sector policies:
- a. Livestock: Develop domestic dairy industry by improving standards so as to be able compete with imported products; develop beef production within the limits of the dairy herd structure; develop competitive markets for sheep and sheep products; develop a more competitive feed industry to enable lower costs of production; study potential for broiler production.
 - b. High Value Crops and Irrigation: Rehabilitate Irrigation systems so that they are fully utilised so spreading the overhead costs. Differentiate policy based on type of irrigation system and potential crops that can be grown. Support adoption of high value crops such as fruit and vegetables on best lands and suitable industrial and fodder crops on less well irrigated land.
 - c. Irrigation Policy: Regional Irrigation Companies should operate commercially. Farmer participation in the management and ownership of the irrigation systems is encouraged. Irrigated land requires greater protection than other agricultural land. A policy on ground water usage, monitoring and extraction needs to be developed together with the MESP.
 - d. Wine: support the development of the sector to improve quality to international standards recognising it as a high value crop
4. Encourage Investment in Agriculture
- a. Credit: is to lobby for banks and credit institutions to lend more to the agricultural and agro-processing sector, for appropriate terms and at lower interest rates. In particular policy is to assist in Lowering Risk through better business planning, better marketing and Better collateral. MAFRD will lobby for better bankruptcy laws to enable easier credit recovery
 - b. Investment: provide information and statistics that encourages investment in the sector. Focusing in particular on the Kosovo Diaspora.
 - c. Donor and NGO: attract donor investment in the sector.
5. Policy on Approximation to the EU
- a. Legal and Regulatory instruments to conform towards EU norms taking into account the costs that may have to be borne by the farmer and the gains to be gained
 - b. Food Standards and safety: support improving the standards and setting up a Food Agency to establish and enforce them.